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LISTS OF STATES INCLUDED IN ANNEX I TO THE CONSTITUTION OF UNIDO

Note by the Secretariat

1. Reference is made to the Lists of States included by the Depositary in Annex I to the Constitution of UNIDO, contained in document UNIDO/GC.1/3. According to Annex I to the Constitution, the Lists of States to be included by the Depositary (Secretary-General of the United Nations) in that Annex are the lists determined by the General Assembly of the United Nations for the purpose of section II, paragraph 4, of General Assembly resolution 2152 (XXI), as in effect on the date the Constitution entered into force, namely on 21 June 1985.

2. As of 1 January 1997, 168 States were Members of UNIDO. Of these, 163 are shown in the Lists of States to be included by the Depositary in Annex I to the Constitution (see overleaf). The following 5 States have become Members of UNIDO but are not yet included in any of those lists:

State	Date of accession
Slovenia	11 June 1992
Georgia	30 October 1992
Tajikistan	9 June 1993
Uzbekistan	26 April 1994
Turkmenistan	16 February 1995

Pursuant to paragraph 1 of Annex I to the Constitution, if a State not listed in any of those lists becomes a Member of UNIDO, the General Conference shall decide, after appropriate consultations, in which of those lists it is to be included. The matter is herewith brought to the attention of the Conference for consideration.

3. The present note supersedes document GC.6/17/Rev.2.

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

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A. States from List A of document UNIDO/GC.1/3

Afghanistan
Algeria
Angola
Bahrain
Bangladesh
Benin
Bhutan
Botswana
Burkina Faso
Burundi
Cambodia
Cameroon
Cape Verde
Central African Republic
Chad
China
Comoros
Congo
Côte d'Ivoire
Democratic People's Republic of Korea
Djibouti
Egypt
Equatorial Guinea
Eritrea
Ethiopia
Fiji
Gabon
Gambia
Ghana
Guinea
Guinea-Bissau
India
Indonesia
Iran (Islamic Republic of)
Iraq
Israel
Jordan
Kenya
Kuwait
Kyrgyzstan
Lao People's Democratic Republic
Lebanon
Lesotho
Liberia
Libyan Arab Jamahiriya
Madagascar
Malawi
Malaysia
Maldives
Mali
Mauritania
Mauritius
Mongolia
Morocco
Mozambique
Myanmar
Namibia
Nepal
Niger
Nigeria
Oman
Pakistan
Papua New Guinea
Philippines
Qatar
Republic of Korea
Rwanda
Sao Tome and Principe
Saudi Arabia
Senegal
Seychelles
Sierra Leone
Somalia
Sri Lanka
Sudan
Swaziland
Syrian Arab Republic
Thailand
Togo
Tonga
Tunisia
Uganda
United Arab Emirates
United Republic of Tanzania
Vanuatu
Viet Nam
Yemen
Yugoslavia a/
Zaire
Zambia
Zimbabwe

B. States from List B of document UNIDO/GC.1/3

Australia
Austria
Belgium
Cyprus
Denmark
Finland
France
Germany
Greece
Ireland
Italy
Japan
Luxembourg
Malta
Netherlands
New Zealand
Norway
Portugal
Spain
Sweden
Switzerland
Turkey
United Kingdom of Great Britain and Northern Ireland

C. States from List C of document UNIDO/GC.1/3

Argentina
Bahamas
Barbados
Belize
Bolivia
Brazil
Chile
Colombia
Costa Rica
Cuba
Dominica
Dominican Republic
Ecuador
El Salvador
Grenada
Guatemala
Guyana
Haiti
Honduras
Jamaica
Mexico
Nicaragua
Panama
Paraguay
Peru
Saint Kitts and Nevis
Saint Lucia
Saint Vincent and the Grenadines
Suriname
Trinidad and Tobago
Uruguay
Venezuela

D. States from List D of document UNIDO/GC.1/3

Albania
Armenia
Azerbaijan
Belarus
Bosnia and Herzegovina
Bulgaria
Croatia
Czech Republic
The former Yugoslav Republic of Macedonia
Hungary
Lithuania
Poland
Republic of Moldova
Romania
Russian Federation
Slovakia
Ukraine

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a/ Concerning Yugoslavia, see resolution GC/S.1/Res.1 adopted by the General Conference at its first special session.

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United Nations Industrial Development Organization

Industrial Development Board

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Item 3 of the provisional agenda

FUTURE OF UNIDO

Paper submitted by Morocco*

Note by the Secretariat

Reproduced herewith is the text of a paper submitted by the Permanent Mission of Morocco.

* This document has not been edited.

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

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UNIDO AT THE CROSSROADS: TO BE OR NOT TO BE

I. UNIDO: HISTORICAL AND LEGAL BACKGROUND

1. UNIDO was formed on 1 January 1967, pursuant to United Nations General Assembly resolution 2089 (XX) of 20 December 1965 to promote industrial development.

2. On 17 November 1966, the Assembly approved the Charter (resolution 2152) creating the new United Nations Industrial Development Organization.

3. The second General Conference of UNIDO convened in Lima from 12 to 26 March 1975 by the United Nations General Assembly in its resolution 3087 (XXVIII) of 6 December 1973 established the basic principles for industrialization and defined the means by which the international community as a whole should take part in industrial development through appropriate new forms of international cooperation aimed at establishing a new international economic order.

4. The Lima Declaration was based on General Assembly resolution 3176 (28th), 2952 (27th), 3087 (28th), 3201 (S-VI) and 3202 (S-VI), under which every effort was to be made by the international community to take measures to encourage and accelerate the industrialization of developing countries.

5. The decision taken in Lima to restructure the world industrial system set as its targets that the industrial production of developing countries should reach 25 per cent by the year 2000, bearing in mind that developing countries represented 70 per cent of the world's population and less than 7 per cent of its industrial production.

6. In order to give effect to the Lima Declaration, the United Nations General Assembly decided to set up a Plenary Intergovernmental Committee — composed of the States which had participated in the Lima Conference — which met in Vienna to establish, in 1986, the Constitution of UNIDO as a specialized agency (the first restructuring).

7. Relations between UNIDO and the United Nations are governed by Articles 57, 58 and 59 of the United Nations Charter which states, *inter alia*:

Art 57: 1. The various specialized agencies, established by intergovernmental agreement and having wide international responsibilities, as defined in their basic instruments, in economic, social, cultural, educational, health and related fields, shall be brought into relationship with the United Nations in accordance with the provisions of Article 63.

Art 58: The Organization shall make recommendations for the co-ordination of the policies and activities of the specialized agencies.

Art 59: The Organization shall, where appropriate, initiate negotiations among the States concerned for the creation of any new specialized agencies required for the accomplishment of the purposes set forth in Article 55.

Art 63: 1. The Economic and Social Council may enter into agreements with any of the agencies referred to in Article 57, defining the terms on which the agency concerned shall be brought into relationship with the United Nations. Such agreements shall be subject to approval by the General Assembly.

Art 63: 2. It may co-ordinate the activities of the specialized agencies through consultation and recommendations to such agencies and through recommendations to the General Assembly and to the Members of the United Nations.

* In 1993, at the Fifth General Conference in Yaoundé, the Organization adopted a programme of reform based on a concentration of activities and reduction in administrative activities (the second restructuring).

* In December 1995, the United States, the largest contributor to the Organization with 25 per cent announced its withdrawal, with effect from 31 December 1996.

* In November 1996, Germany announced that it would withdraw from UNIDO. That decision was suspended a month later.

* In December 1996, the United Kingdom and Australia announced their intention to withdraw from UNIDO.

II. THE VARIOUS PROPOSALS FOR THE FUTURE OF UNIDO

8. Apart from the idea of a global reform of the United Nations system, which is considered later, the main proposals put forward on the subject are:

- The American suggestion: to absorb UNIDO into UNDP.
- The proposal of the Commission on Global Governance, to liquidate UNIDO.
- The Netherlands proposal to merge UNIDO and UNCTAD.
- The proposal to merge UNIDO and the CFC.
- Return to the status of subsidiary organ.
- Removal of the Organization to another capital.

9. Before examining each of these proposals, it should be pointed out that:

- All the suggestions are from developed countries. The developing countries have never been associated with these deliberations.

- The proposals seem to be contradictory, which reflects the sense of confusion among the developed countries regarding the Organization's future.

- The proposals have never been the subject of discussions involving all the Member States of the Organization. Indeed, all the proposals were initiated outside UNIDO and little discussed within its organs.

A. The American proposal: to absorb UNIDO into UNDP

10. The American proposal is explained in a document, dated February 1996, entitled "US views on reform measures necessary for the strengthening of the United Nations system", which was submitted to the High-level Working Group on the Strengthening of the United Nations system set up on 14 September 1995.

11. Thus on page 18 of that document, under the heading "strengthening the lead role of UNDP", it was stated that UNDP had the greatest responsibility for official development assistance (ODA) through the United Nations system, and that it should be the core structure for strengthening programmes and agencies or form the principal

element of a single structure responsible for development within the United Nations. A kind of umbrella structure for the activities of different funds, programmes and specialized agencies.

12. In order to achieve this goal, according to the American document, UNDP needs to absorb a number of institutions (UNIFEM, UNFPA, UNEP, FAO) including UNIDO, given that "industrial development can only be conceived as an integrated part of the national and global development strategy".

13. It should be made clear at the outset that this proposal derives from an approach which prefers integrated to sectoral development. Further more, it seeks to exploit UNDP's presence in the field through 135 national offices and its knowledge of national development strategies. Finally, this proposal is just a stage, perhaps the last, in an old process aimed at strengthening the role of UNDP vis-a-vis the other agencies, funds and programmes of the United Nations. Let us not forget that since resolution 47/199, the UNDP resident representative has been the United Nations system co-ordinator for development in many countries.

14. That apart, and notwithstanding the legal and logistical problems, the proposal to absorb UNIDO into UNDP could give rise to the *following difficulties*:

- The difference in structures: UNDP is administered by an Administrative Council composed of only 38 members, while UNIDO's supreme organ is the General Conference, made up of 166 States.

- The difference in the method of financing: UNDP is essentially financed by voluntary contributions while UNIDO's budget is based on assessed contributions.

15. In the event of integration, this difference could raise the following problems:

(a) Is it certain that voluntary contributions will be increased in line with the extension of UNDP's mandate?

(b) One of the characteristics of voluntary contributions is that they can be tied to specific purposes, chosen by the donor State. It is not certain that these donors will give preference to industrial development projects.

(c) UNDP's present offices throughout the world are already saturated due to insufficient staff and the complexity of assistance procedures.

16. Furthermore, as has already been pointed out, the proposal derives from an integrated approach to development, which in the United Nations system has proved to have its limits. Several programmes have been implemented in developing countries on the basis of this integrated approach by associating several agencies under the UNDP umbrella, without producing any convincing results.

17. By ceasing to contribute to the financing of UNIDO projects since 1996, UNDP has explicitly acknowledged that industrial development is not part of its mandate or at least that it does not figure on its list of priorities.

18. Moreover, the proposal assumes that UNDP officials are experts in all branches of development, which is far from being the case. It will continue to need to call on specialized agencies in specific development sectors, including industrial development, especially during a time of transition and economic globalization.

19. Finally, many Governments are hesitant at the idea of entrusting UNDP with exorbitant powers, especially at a time when its resources are in marked decline.

B. The proposal by the Commission on Global Governance: liquidation of UNIDO

20. The Commission on Global Governance, under the presidency of Swedish Prime Minister Carlsson and Commonwealth Secretary-General Ramphal, was set up in 1992. Its members include several prominent international figures, notably Messrs Jacques Delors (France), Jan Pronk (Netherlands), Sadako Ogada (Japan) and Olara Otunnu (Uganda). In 1995 the Commission published a document headed "Our Global Neighbourhood" (A/50/79 S/1995/106, 6 February 1995).

21. On page 12 of the document it is said that "The UN system must from time to time shut down institutions that can no longer be justified in objective terms. We believe this to be true also of the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Industrial development Organization (UNIDO), and propose an in-depth review to this end."

22. In contrast to the American proposal which looks to the integration of UNIDO within UNDP, the Commission on Global Governance simply suggests that UNIDO should be wound up. Paradoxically, however, both proposals will have the same result — the disappearance of UNIDO as an independent institution.

23. This being the case, it should also be pointed out that the report does not give any justification or explanation of the reasoning behind the choice of UNIDO and UNCTAD. Why should these two organizations be the only ones liquidated?

24. It should also be pointed out that the proposal concerning UNIDO is one of an integrated package of recommendations submitted by the Commission (introduction of the "right to petitions" for referral to the Security Council, creation of an Economic Security Council, radical reduction in developing country debt, institution of international taxation to finance United Nations activities...). It was not intended to be taken in isolation from the other suggestions, as the authors of the report make clear: "In setting out the major proposals made by the Commission, we wish to emphasize that all the proposals form a coherent body — not inseparable, but mutually reinforcing. We encourage their consideration as such". (Page 6 of the document).

25. Although suggesting that UNIDO should be closed down, the members of the Commission underlined that "our proposals on these UN bodies are part of the integrated set of proposals we make for improving global economic governance including, notably, the setting up of an Economic Security Council". (Page 12)

26. Logically, therefore, the report of the Commission on Global Governance should be considered not in a partial or selective manner but as reference for the global reform of the United Nations system.

C. The Netherlands proposal — merger of UNIDO and UNCTAD

27. This proposal was put forward at the ninth session of UNCTAD in South Africa (Midrand, 26 April to 11 May 1996). In her address of 30 April 1996, the Dutch Minister of Foreign Trade, Mrs Van Dork, said "I put to you a suggestion to explore the possibility of merging UNIDO and UNCTAD. The existence and operation of organizations such as UNIDO, despite their past contributions to the economies of many developing countries, are no longer obvious."

28. In this respect, the following should be noted:

- It is astonishing that the Netherlands whose representative helped to draft the report of the Commission on Global Governance, which recommends the disappearance of the two institutions, should opt for their merger.

- How is it possible to save one organization by annexing it to another which is also threatened with extinction? There have been constant reminders, since the creation of the WTO, that UNCTAD no longer serves any purpose. Unless this merger is merely a way of making it easier to liquidate both organizations.

- UNCTAD's role is somewhat vague, and if the logic is pursued, several other organizations could be swallowed up by UNCTAD.

- How can a subsidiary organ of the General Assembly be merged with another which is a specialized agency, with its own governing bodies and a different composition.

- In which direction should the merger be made, bearing in mind that UNIDO has a staff of 800, while UNCTAD has 300?

D. The proposal to merge UNIDO and the CFC

29. The Common Fund for Commodities was conceived as having dual "windows":

- The first, the regulation of commodity stocks,

- The second, to promote and market those products.

30. It should be noted that the first window never materialized, while the main function of the second falls perfectly within the ambit of industrial development, bearing in mind the very heavy reliance of developing countries on a limited number of commodities exported to a limited number of developed countries.

31. The merger of the two organizations could present two major problems:

- The difference in the voting arrangements: the CFC applies weighted voting while UNIDO follows the rule of "one country, one vote".

- The difference in composition.

E. Return to the status of subsidiary organ

32. This means a return to the pre-1986 status of subsidiary organ of the General Assembly.

33. Such a solution would have the following consequences:

- It would be a very complex and possibly long drawn-out procedure,

- It would exacerbate the financial crisis of the United Nations without solving the problem of UNIDO,

- It would mean a patent setback to the developing world and a retrograde step in respect of the priorities set.

F. Removal to another European Capital

34. This idea, which was circulated informally, is no longer on the table because:

- The removal costs would have to be borne by the new host country, itself facing enormous budgetary constraints,
- The availability of premises in Vienna is not a charge to the Organization's budgets,
- The costs of the VIC common services are shared between the IAEA, UNOV and UNIDO.

35. An examination of the various proposals shows up the technical, legal and financial constraints on their implementation. Consideration should therefore focus on ways of improving the Organization's structure and effectiveness. A third restructuring is imperative.

III. THE THIRD RESTRUCTURING

36. It should be made clear at the outset that the following measures concern only an independent restructuring of UNIDO. The following should also be noted:

- Reform does not just mean budget cuts and reduction in staff. On the contrary, an effective organization could require the injection of additional financial resources and better qualified staff.
- The reform should be given a chance to take full effect. That means all efforts should be focused on saving the Organization with a period free of unilateral undermining actions and financial uncertainty.
- The various elements of the reform should be implemented in full before Member States make a complete and joint evaluation of the situation.
- The period needed to carry out the 3rd restructuring should not exceed 2 years, at the mid-term of the new mandate granted to the Director-General and at the Eighth General Conference.

37. The restructuring could consist of the following elements:

A. The mandate

38. As set out in Article 2 of the Constitution, the general definition of the Organization's mandate remains valid.

39. As a specialized agency, UNIDO has a regulatory role, and other roles in collecting and disseminating information, advising Governments of developing countries and economies in transition in formulating and implementing industrial polices and lastly a role in implementing a number of demonstration projects.

40. The Organization must fulfil all these tasks in a balanced manner. Particular attention needs to be given to UNIDO's role as an agent for mobilizing resources and as a purveyor of technology.

B. Restructuring of the Secretariat — geographical or sectoral structure?

41. The current structure of the Secretariat is both regional and thematic, which causes several instances of duplication and waste. The structure should be revised to make it only thematic, with each division taking

responsibility for geographical data and priorities. The involvement and cooperation of the Managing Directors is necessary for this.

42. The resource mobilization function, instead of being an isolated unit, should be the direct responsibility of each department, particularly those responsible for operational activities in the field.

43. Such a restructuring would certainly have the effect of economizing on human and financial resources, improved co-ordination and simplified procedures.

44. Furthermore, it would be possible to set up new departments responsible for promoting sustainable technologies within the context of globalization of the world economy.

C. Strengthening human resources

45. In this context, it should be noted that:

- It is clear that UNIDO's comparative advantage as a specialized agency lies in the industrial development expertise which it is supposed to possess. Hence the importance for the Organization of having highly qualified and motivated staff.

- It should be recognized that the voluntary separation of staff from December 1995 to June 1996 resulted in the departure of staff members whose value was internationally recognized.

- The Organization should adapt its human resources to the changes taking place in the world economy, through a more rigorous recruitment policy and continuing training.

46. In general the value of an organization is judged by its capacity to attract brains and top qualifications.

47. UNIDO therefore needs to have a clearly planned human resources policy. The Secretariat of the Organization and the staff representatives will have something to say in the development of this policy. Such a policy should be based on the following elements:

(a) A recruitment policy which places competence and integrity above all other considerations. The Organization must seek out new blood, proven skills in the various branches of the industrial sector. This campaign to identify new skills should use every modern means of communication (specialist journals, Internet,...) above a certain level of qualification (P-3 and above).

(b) The recruitment policy must be based on renewable short-term contracts during the first years of service. This procedure allows better evaluation of the performance of the staff recruited. The contract may only be renewed for longer periods if the expert demonstrates his competence. Furthermore, the short-term contract allows greater freedom to young experts who wish to obtain international experience within the Organization, while providing UNIDO with a constant injection of new blood.

48. It is also necessary to carry out a strict assessment of the skills of the existing staff of the Organization. In addition to technical skills, particular attention should be given to the ability to mobilize additional resources and technology and to implement innovative fund-raising methods (round tables and shared costs, in particular).

49. In addition, there needs to be a review of the distribution of staff between Headquarters and the field. The redistribution should be on-going to allow better interaction between theoretical work and the realities of the developing countries or those in transition in receipt of assistance.

D. More rational management of certain activities, notably

50. **Publications:** An in-depth review of the Organization's various publications should be carried out, in order to eliminate needless publications and increase the academic and scientific calibre. This would facilitate their sale to interested users.

51. **Frequency of meetings:** Consideration could be given to the possibility of having only one IDB and one PBC session per year. That would permit:

- Savings of time, resources and energy,

- Better preparation of action-oriented sessions,

- Responsible officers would be more inclined to effective implementation of decisions adopted.

52. **Travel costs:** The Organization should be selective in respect of the meetings in which it participates. Likewise, the Secretariat should limit the number of missions, particularly during the restructuring stage. Missions, of little apparent utility, by a multitude of official at exorbitant cost have been noted.

53. **Implement other relevant measures** suggested in the audit report of Arthur D. Little under the title "UNIDO 2000" .

54. To supervise the implementation of these measures, an oversight mechanism should be set up, under the responsibility of the Director-General, which would have the task of ensuring improved efficiency and accountability within the Organization.

E. Innovative solutions to the financial crisis

(a) Payment of contributions

55. The discussion group on timely payment of assessed contributions should examine the various measures proposed to ensure that the principle of "liability to pay" takes precedence over "capacity to pay", especially by:

- Instituting a timetable to settle the issue of arrears of contributions owed by developing countries;

- Use of incentives for good payers;
- Application of coercive measures (depriving bad payers from the right of election to governing bodies, reducing the time they are allowed to speak, limiting their participation in tendering procedures and international consultations, effective application of the provisions of Article 5.2 on suspension of the right of vote...);

56. Regional groups, especially those representing developing countries, have a role to play in this respect.

(b) A better balance between the regular budget and the operational budget

57. It is disturbing to note that at present, out of 100 dollars spent by UNIDO, some 80 go to administrative expenses (salaries, logistics, equipment, travel, seminars of little obvious value...). It should be agreed that any savings achieved through reductions in administrative costs should be redeployed to the Organization's operational programmes. Otherwise the ratio of administrative costs will go on rising resulting in a continuation

of the status quo characterized by the disaffection of Member States towards the Organization which, in the nature of things, will have less and less impact in the field.

58. Consequently, a better balance (of the order of 50-50 per cent) between the functional and operational components of the budget would give the Organization more credibility and allow it to respond more effectively to the needs of the countries in receipt of assistance, especially developing countries.

F. Concentration of priority activities

59. The seven priority themes defined at Yaoundé should be condensed into five new ones:

1. Strategies, policies and institution building;
2. Sustainable industrial development;
3. SME/SMI, especially in rural areas;
4. Innovation, productivity and promotion of technologies;
5. Industrial investment promotion.

60. It should be understood that Africa and LDCs should continue to be a horizontal priority across each of the five priority themes.

G. Amendment of the Constitution

61. Such a reform would involve amending the Constitution. The following measures could be explored:

- Changing the name of the Organization which could become: the United Nations Sustainable Industrial Development Organization: UNSIDO.

- Art.5 Introduce other coercive measures in respect of late payers.

- Art.6 Extend the notice of withdrawal to two years.

- Art.11.5 Concerning appointment of deputy directors-general (to be updated, since such posts have ceased to exist since 1993).

- New article: on acting responsibilities within the Organization and, perhaps, a provision on approval of nominations to senior posts.

62. In addition, the financial regulations and the rules of procedure must be adapted in the light of the measures taken, including Managing Directors.

63. It is clear that other legal measures will have to be taken depending on the type of reform adopted.

IV. CONCLUSION

64. Few organizations in the United Nations system have experienced a crisis such as to generate a decline in their status or reduction or diminishing of their mandate. Such seems to be the case of UNITAR or UNDRO. In this context, the UNIDO crisis, which is much more serious than UNESCO's, is certainly unique and without precedent in the firmament of the United Nations system.

65. UNIDO has suffered the effects of the geopolitical changes following the end of the cold war, technological revolution and major changes caused by the globalization of the world economy including the increased role of the private sector and market forces (deregulation, privatization and structural adjustment policies). Its future reform must take the new realities on board. Depending on the attitude the international community wishes to take, this could take one of three approaches:

1. Following the institutionalization of the Organization in 1986 and the Yaoundé restructuring in 1993, there should be a further reform of the Organization. This approach, minimalist but realistic, is the one preferred by this note. It can be conducted independently in Vienna, by decisions of UNIDO's governing bodies. In that case, the work of the Working Group on the Financial Situation of the United Nations will need to be taken into consideration insofar as it may affect the scale of assessed contributions of Member States.

2. A restructuring in conjunction with another organization in the United Nations system, which would be a complex operation requiring convergent decisions within the two organizations and in the two capitals concerned.

3. A restructuring of the whole United Nations system, an eminently difficult operation which would need a special (Bretton Woods type) summit conference and for which the conditions are far from being met.

66. In that case, the work by the High-level Working Group on Strengthening the United Nations system in New York will be crucial to the reform process.

Appendix I

FINANCIAL ISSUES

GENERAL ELEMENTS

- The budget should be the result of the reform process—not the starting point of the negotiations;

- If it is deemed necessary to reduce the budget, it should be done in a differentiated manner according to the critical mass of expertise in each Division.

1. Settlement of arrears

- The Moroccan proposal on the moratorium as recently amended (a timetable of 5 to 15 years) to solve the case of non-payers (specific note will be submitted to the working group on financial issues);

- Incentives to early payers;

- Sanctions to late payers.

2. Balance between the regular and the operational budget

- To review the 6 per cent limit as contained in Annex II of the Constitution;

- A rationalization of administrative costs (travel, meetings, publications, ...).

3. Funds mobilization

- Funds mobilization should be based on assessed, voluntary and pledged contributions;

- The round-table mechanism for model projects should be explored on their own merit;

- The implementation of the cost-sharing mechanism should be sought taking into account the capabilities of interested countries;

- UNIDO's catalytic role on conversion of the bilateral debt into industrial projects should be taken into account.

Appendix I (a)

COST-SHARING

1. Definition

Cost-sharing is a financing mechanism whereby a recipient State participates in the financing of a project or programme.

2. Characteristics

- Participation in cost-sharing is different from contribution in kind to a project;
- The cost-sharing contribution can vary according to the country's payment capacity and the importance of the project or programme (10 per cent for LDCs, 50 per cent for medium-income countries or countries in transition);
- The cost-sharing formula allows several partners to participate in the financing of a project or programme.

3. Advantages

- Increased resources;
- An effective criterion for the selection of genuine priority projects;
- Elimination of the constraints imposed by budgeting on an annual basis;
- Financing in local currency and tax exemption on equipment;
- Improved quality of the funded projects;
- Improved monitoring of project execution and completion up to final auditing;
- Better staff motivation;
- Enhancement of the Organization's credibility.

4. Disadvantages

- Larger contribution by the developing countries to the financing of their projects;
- Short-term difficulty (at least in the first year) in the establishment of a cost-sharing formula acceptable to the financial authorities.

5. Conclusion

- The disadvantages are extremely short-term in nature, whereas the advantages are medium- and long-term;

- The increased cost-sharing ratio is an important confidence-building factor for the donor countries;

- It offers the best means available for transforming the vicious circle of dwindling resources into a virtuous circle of growth.

Appendix I (b)

STAGES IN THE ORGANIZATION OF A ROUND TABLE FOR FUNDS MOBILIZATION

The round table mechanism has proved effective in the mobilization of funds for model projects, especially those of regional scope.

At the same time, it is a mechanism which entails the direct and active involvement of the main recipients.

The main stages in the organization of a round table of donors are as follows:

1. Project identification:

The round table must relate essentially to integrated model projects preferably involving a number of countries.

Responsibility: project identification is primarily the responsibility of the countries concerned, the Organization providing assistance.

2. Preparation of documentation:

Full and detailed documentation covering all aspects of the project must be prepared.

Responsibility: the Secretariat in collaboration with the States concerned.

3. Briefing of potential donors:

An information campaign must be conducted among bilateral and multilateral donors to introduce the project, explain its socio-economic impact and present its budget, indicating also the financial participation of the recipient States. The purpose of this operation is to sound out the interest the project might have for the potential donors.

Responsibility: Donors must be approached jointly by the States concerned and the Secretariat of the Organization.

4. Holding of the round table:

Depending on the results yielded by the previous stage, steps are taken to organize the official meeting at which the States concerned, the Organization and the bilateral and multilateral donors announce their contributions to the project.

During this meeting, it will also be possible to set up a mechanism to monitor the implementation of the project, which will report to the different parties involved.

Appendix II

CRITERIA FOR ACTION

The criteria outlined below above are designed to place UNIDO's contribution to industrial projects and programmes on a sounder basis and, ultimately, to enhance its credibility through its performance and socio-economic impact in the field.

1. Conformity of the project to national priorities

In this context, the Country Strategy Note, mentioned in United Nations General Assembly resolution 47/199, should serve as a reference for identifying priorities.

2. Conformity of the project to the Organization's priorities

The Organization should not act unless the project corresponds fully to the priorities determined by the policy-making organs. In this connection, it is necessary to establish a hierarchy of priorities.

3. Model projects

These are projects which the Government is not able to implement alone because it lacks the necessary technical and financial resources. The thinking behind such projects is that they will serve as a prototype for other, future projects of a similar nature to be financed and implemented by Governments. Model projects are also projects which are environmentally sound and have lasting social value.

4. Project sustainability

This means the assurance that implemented projects will be taken over subsequently by the recipient Governments.

5. Contribution by the recipient country

The recipient country must undertake to contribute to the financing of the project according to the cost-sharing formula (on the basis of percentages which may vary according to the country's level of development), which strengthens national project management, project sustainability and the replication of successful experiences.

6. Contribution of the recipient country to UNIDO's budget

Before embarking on a project, the Organization must make sure that the recipient country is up to date with its contribution or that it has reached an agreement with UNIDO regarding the settlement of its arrears.

7. **Projects favouring regional integration** and aimed at anchoring the economies of developing countries within neighbouring zones of economic prosperity.

8. **Job-creating projects (capital saving)** and, hence, projects which contribute towards improving the social climate of a country.

9. Projects in step with the private sector

While continuing the **institution-building** effort directed at government authorities, particular attention also needs to be given to direct cooperation with the **private sector** through employers' organizations.

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Lastly, it is important to introduce the concept of project **programming** (two to four years) to replace the present approach of responding to the current needs of countries (project by project). The programming of technical assistance offers numerous advantages since it makes for:

- Improved evaluation of the needs of developing countries and the establishment of a continuing dialogue between the Secretariat and the national focal points of these countries;

- Greater involvement on the part of developed countries, which will be in the position of knowing in advance the full list of projects to be funded;

- Execution and completion of projects within the scheduled time-limits;

- Improved programming of financial and human resources within the Organization.

Appendix III

STRENGTHENING OF FIELD REPRESENTATION

- Through the redeployment of CFD personnel in the field (see paras. 41 and 49 of the Morocco document and paras. 40-43 of the Director-General's document);

- The function of funds mobilization as well as the regional dimension need to be taken over by the different sectoral departments;

- A greater presence in the field would make it possible to enhance the Organization's credibility, increase the effectiveness of its activities and improve its understanding of local industrial problems, while also making for enormous savings (travel costs, recruitment of experts, coordination with the country, etc.);

- The decentralized structure must be a subregional structure headed by a Director and capable of drawing on specific sectoral expertise and also pluridisciplinary skills (holistic approach);

- The chief of the subregional office must have a certain degree of autonomy in project management and approval, while working in close cooperation with the United Nations system coordinator in the country;

- The salary of the Director of the decentralized structure must be paid entirely by UNIDO. The financing of local costs and the salaries of other staff members should be governed by the formula for the cost-sharing arrangements between UNIDO and the recipient countries;

- Assignment to work in the field should be neither a privilege nor a punishment. It should be an integral part of the career plan of any international civil servant;

- UNIDO should encourage its field offices to share premises with other agencies of the United Nations system represented in the country.

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FUTURE OF UNIDO

Paper submitted by Nigeria*

Note by the Secretariat

Reproduced in the annex to the present document is the text of a paper submitted by the Permanent Mission of Nigeria.

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PRINCETON UNIVERSITY
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Annex

NON-PAPER ON THE FUTURE ACTIVITIES AND STRUCTURE OF UNIDO

Introduction

1. UNIDO was established as an autonomous organization on 1 January 1967, following General Assembly resolution 2089(XX) of 20 December 1965. The decision to establish UNIDO was based on the poor industrial situation of the developing countries, particularly Africa and the least developed countries. Thirty years after that noble decision, the economies of these developing countries still continue to decline due to poor policies, which exacerbates the current crisis and militates against any successful industrialization in the regions, despite all the efforts made so far.

2. Although many documents show that 40 per cent of UNIDO's activities have been carried out in Africa, while other regions share the balance, there is not much to show for this in the level of industrialization of the region. It is a matter of concern that Africa has now become more impoverished than it was a decade ago. Evidence has shown that sub-Saharan Africa, excluding South Africa and Nigeria, recorded 1.4 per cent GDP growth, and a further decline may be expected unless serious efforts are made to rectify this situation. Concerted industrial activities should be carried out to increase the level of production in the region. A well-reformed and dynamic UNIDO is expected to play a significant role in the industrialization of these countries.

3. The coordinating role of UNIDO within the United Nations system in the field of industrial development cannot be over-emphasized. In fact, it should be strengthened. UNIDO should be given a renewed opportunity to enhance its contributions to the industrial development of developing countries. Of course, it should avoid duplication of functions which are the major areas of preoccupation of the other agencies within the system. UNIDO should not encroach on the mandates of other United Nations bodies but should focus its resources and activities on its areas of specialization. Any problem of coordination arising from parallel mandates between UNIDO and any other agencies should be properly harmonized. In this regard, Member States should provide the necessary legislative authority, through decisions and resolutions, to enhance the Organization's compliance with its mandates as listed in Article 2 of its Constitution.

4. It is expected that a streamlined UNIDO would be provided with sufficient financial resources and the necessary political good will to carry out these mandates. UNIDO should further improve its performance within the resources provided and to build upon its traditional strengths and expertise and concentrate in the areas that are of critical need to its clients, particularly the developing countries. These were the expectations envisaged by the Member States in Article 2 of the Constitution and also in the Yaoundé Declaration (resolution GC.5/Res.20) in which the restructuring was mandated in 1993.

5. However, recent events resulting in the withdrawal of the United States of America, the United Kingdom, and Australia—and concomitantly the loss of about 40 per cent of the Organization's resources—have proved that UNIDO can no longer continue in the same way or to feature in all the areas where it has been traditionally present. In the views of Member States, UNIDO should now concentrate its efforts in specific areas of specialization. It was because UNIDO had hitherto spread itself too thinly and had seemingly become less effective that Member States have raised questions whether it should continue to perform this traditional role or whether it should even continue to exist in any form or shape.

6. There have therefore been various suggestions regarding the future role, activities and structure of the Organization. It is, however, clear from all indications that an autonomous but streamlined UNIDO would continue to satisfy the expectations of all Member States.

I. PERCEIVED AREAS OF UNIDO'S FUTURE CONCENTRATION

7. UNIDO should continue to respond to the needs of developing countries and to satisfy the aspirations of all its Member States. Its relevance to the modern needs and desires of the Member States should be the guiding principle for establishing the parameters within which the Organization's activities should be defined.

8. It is expected that the universal nature of the Organization should make it relevant for all developing countries and the developed ones alike. Article 2 of the UNIDO Constitution clearly defines its mandates. This was in recognition of the fact that industry has a crucial role to play in the economic and social development of the developing countries. A diversified economic base is essential to the open and highly competitive world in this age of globalization. Without industrialization, the majority of the developing countries will not be able to combat poverty, provide adequately for basic needs, such as food and clothing, generate jobs and achieve economic advancement in an integrated and balanced way. These are as yet an unfinished assignment for the Organization, and they are the areas where it would continue to be useful in the interest of developing countries and of world peace.

9. A further need for UNIDO's continued existence is based on the fact that while countries of the North have developed to a post-industrial era, the South—and particularly Africa—still needs to achieve an adequate level of industrial development. A dynamic UNIDO is essential to help these countries develop their industries. Consequently, a reinvigorated UNIDO should focus its activities in the following areas:

(a) A continued expansion of investment appraisal and promotional activities through the development of investment projects and provision of databases that would allow international access to pre-investment studies carried out by the United Nations system and for which investment is being sought. An intensive development of information systems and services and activities at the enterprise level that would include details on ownership, location, technologies and markets in order to provide basic market information for potential foreign investors to developing countries, especially in Africa and the least developed countries.

(b) UNIDO should also continue to develop programmes that would promote the development of small- and medium-scale industries in general, with particular emphasis on agro-related industrial and rural development. It should also continue to strengthen the networking of institutions providing support to such enterprises by encouraging exchange of experience on a South-South as well as a North-South basis.

(c) The issue of the environment and sustainable development, which now occupies the central stage in the contemporary industrial consideration, should continue to occupy a considerable portion of the attention of UNIDO. UNIDO should therefore work towards increased environmentally sustainable industrial production in developing countries and assist in the areas of technical assistance, industrial feasibility studies, enterprise diagnosis and information systems. UNIDO should also continue to cooperate in activities concerned with the phasing out of ozone-depleting substances under the Montreal Protocol and promote activities to increase the level of energy generation and preservation.

(d) To further enhance the capacity of the developing countries, emphasis must continue to be laid on institutional capacity-building, including the development of human resources of the developing countries. Suitable projects should be designed to enhance the ability of the developing countries to cope with contemporary industrial activities, which now use very complex modern systems of management, sophisticated industrial technology and complex operational support activities. This should be on the basis of training of trainers and the provision of support services at the level of training institutions, at the level of technical colleges and higher technological institutions for training, in order to ensure that capacities for accelerated industrialization are guaranteed on the basis of increased competitiveness of developing country industries. The need for emphasis on human resources development is based on the very low level of manpower development in developing countries. It has been suggested that it could take Côte d'Ivoire about 65 years to reach the

human development indices of industrialized countries, while Mozambique is expected to take over two centuries to achieve the same result.[1] The situation thus deserves urgent and concerted efforts.

(e) Another area of importance where UNIDO could make some good effort is in the area of promotion of international industrial cooperation through the formulation of long-term national industrial policies, geared towards the development and enhancement of institutional capability and support services, assistance in the area of promotion of enterprise-to-enterprise partnerships and linkages. These are areas where UNIDO could continue to be very useful. Of course it should apply itself to justify the investment of both financial resources and good will.

II. SUGGESTED STRUCTURE FOR THE FUTURE UNIDO

10. A streamlined and dynamic UNIDO should operate within a four-department framework based on programmatic considerations to be determined by the Member States. In determining these departments, emphasis should be laid on the realities of our time and crucial needs of the developing countries for industrial activities.

11. In addition, UNIDO field representation should be strengthened. The Organization should introduce a system of decentralization whereby every Professional-level staff member should be eligible for transfer to the field. A future UNIDO should create and strengthen regional offices to be equipped with information and data facilities. Each regional office should be staffed by a Head/Director and at least five professionals and technicians, which would facilitate timely formulation and execution of projects at the field level without reverting to Headquarters. This would enhance efficiency in the rate of project approvals, thus reducing the time lag between the dispatch of project proposals to and from Headquarters. It would also lower the costs by reducing field missions and effectively address a problem frequently identified by Member States. Decentralization would also strengthen considerably the flexibility and the impact of the Organization.

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[1] *Focus ACP*, Vol. I, No. 1, p. 15. UNDP Human Development Report 1996, "Adieu to Trickle Down Theory".

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FUTURE OF UNIDO

Paper submitted by the League of Arab States*

Note by the Secretariat

Reproduced in the annex to the present document is the text of a paper submitted by the Permanent Observer Office of the League of Arab States.

* This document has not been edited.

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Annex

Mission of the League of Arab States
Vienna, Austria

Memo. No.: 127/2/97

Date: 4 April 1997

Dear Sir,

On behalf of the Arab Member States of UNIDO, I have the honour to present the enclosed paper containing their proposals on the future of UNIDO.

I would appreciate it very much if you could kindly take the appropriate action to treat the paper as an official document and to circulate it to the Member States.

Acting Dean of
the Arab Diplomatic Corps,
Ambassador of the Republic of Algeria,
Halim Benatalla

[*Signed*]

Mr. Mauricio de Maria y Campos,
Director-General, UNIDO

JOINT ARAB PAPER ON THE FUTURE OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

I. GENERAL PRINCIPLES

1. UNIDO should continue as a specialized agency of the United Nations operating in the field of industrial development.

2. The current reform process should be based on a determination by Member States of the size of the activities to be undertaken and subsequently a determination of the necessary budget and the sharing of costs by Member States. Account should be taken of the present international political and economic circumstances. Attention should be paid to recently emerging phenomena, such as globalization, the growing role of the private sector in all fields as well as the environmental dimension of industrial development.

3. The political dimension of the current crisis cannot be ignored. The various regional groups should, therefore, play an active role in the negotiations on the future of the Organization.

4. No reform process can succeed without consultation and solidarity among all Member States (both developed and developing) and avoidance by them of unilateral decisions.

5. While it is natural to view the UNIDO problem in the context of the reform process experienced by the United Nations as a whole (which necessitates consultation and coordination with the missions based in New York and Geneva), it should be emphasized that the problem should be solved in Vienna by the Member States of the Organization.

II. THEMES OF REFORM

6. The reform process can include the following elements:

(a) Settlement of the financial problems of the Organization through:

(i) Payment by all Member States of their financial obligations to the Organization (including the rescheduling of old financial obligations);

(ii) Reduction of budgetary items for travel, publications and meetings expenses and review of the distribution of Vienna International Centre maintenance costs; and

(iii) Adoption of a new strategy for the mobilization of additional resources.

(b) Enhancement of the field presence of the Organization through a redeployment of the staff of the Country Programmes and Funds Mobilization Division.

(c) Review of the administrative structure of the Organization, including designation by the Director-General of a person to act on his behalf during his absence.

(d) Improvement of the technical expertise existing in the Organization, through the adoption of a clear policy in the area of management of the human resources of the Organization and through providing it with high professional and technical expertise.

(e) In addition to its technical role and its capacity as a forum for the exchange of views and consultation on industrial policies, the Organization should enhance its field activities through the endeavour to mobilize industrial investment and to transfer modern technologies conforming to the requirements of sustainable development.

(f) In the light of the special session, the Director-General should be requested to submit a budget consistent with the objectives determined by Member States.

(g) Amendment of the relevant articles of the Constitution of the Organization to reflect the new situation resulting from the reform process.

(h) The Director-General should take the necessary action to improve the image of the Organization and create an environment of confidence within the Secretariat.

(i) The question of the election of a new Director-General should be opened and the African position in this regard should be adopted in accordance with the African Statement on the matter.

STATEMENT OF THE AFRICAN GROUP ON THE FUTURE OF UNIDO

The African Group wish to reiterate its stated commitment in retaining UNIDO as a specialized agency within the United Nations system providing integrated efficient and sustainable industrial development to developing countries.

The Group has reviewed the obtaining situation in the Organization and wish to re-confirm its determination to continue to actively contribute in defining the future activities and structure of UNIDO. The Group welcomes the contributions made by Morocco and Nigeria as well as the position of the Asian Group.

The Group has carefully examined the document entitled "The Future of UNIDO" by the Director-General. In this regard, the Group endorses the opinions expressed by its members, *inter alia* the approach is limited to short-term budgetary concerns falling short of the long-term vision necessary for revitalizing the Organization. The document will hence be considered as a contribution among others.

The African Group strongly holds that the long-term viability of the Organization solely rests within Member States towards this endeavour. The Group wish to state that the future of UNIDO will exclusively be determined in Vienna. The approach should therefore be clear and not just limited to scenarios meant to entice States in continuing their membership. It is this in mind that the Group wish to invite other regional groupings to consider engaging in formal consultations in preparation for the special session of the IDB which the African Group considers urgent and important in exploring the "common understanding". This is crucial in spelling out the greatly needed steady and clear political commitment. The Group hopes that this will constitute essential outcome of the special session of the IDB.

While the Group looks to the future with hope, it cannot fail to express its concern at the fast deteriorating image of UNIDO as a result of some recent developments among others and the overall prevailing atmosphere within the Secretariat. To contain further deterioration, the Group calls upon the Director-General take appropriate measures to sustain confidence.

The African Group fully associating itself with the position of the Group of 77 and China regarding the need to have new leadership in the Organization. The Group supports the position that the Director-General of UNIDO should come from within the ranks of the Group of 77 and invites its members to present candidates.

The Group therefore strongly feels that the Chairman of the IDB should undertake the necessary consultations in exploring the possibility of finding a consensus candidate for the post of the Director-General in order to afford adequate time for the exercise. It is the proposal of the Group to have the proposed deadline of submitting candidature postponed in accordance with relevant provisions of the Constitution.

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FUTURE OF UNIDO

Paper submitted by the Latin American and Caribbean Group*

Note by the Secretariat

Reproduced in the annex to the present document is the text of a paper submitted by the Latin American and Caribbean Group.

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Annex

EMBASSY OF THE REPUBLIC OF BOLIVIA
Vienna
Austria

Vienna, 10 April 1997

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Sir,

I have the honour to forward to you the position paper setting out the overall view of the Latin American and Caribbean Group, as adopted at its plenary meeting on 8 April 1997. We hope that this document will provide a clear picture of our perception of UNIDO and will contribute to the debate at the forthcoming special session of the Industrial Development Board. In addition, we should like the document to be distributed to Member States through your good offices, and we therefore request the Secretariat to arrange for its translation into English.

Accept, Sir, the renewed assurances of my highest consideration.

(*Signed*)
Enrique Meyer Medina
Ambassador

(*Stamp of the Embassy of Bolivia*)

Encl.

Mr. Mauricio de Maria y Campos
Director-General
United Nations Industrial Development Organization
Vienna
Austria

POSITION OF THE LATIN AMERICAN AND CARIBBEAN GROUP CONCERNING THE FUTURE UNIDO

(SEVENTH SPECIAL SESSION OF THE INDUSTRIAL DEVELOPMENT BOARD, 21-23 APRIL 1997)

I. INTRODUCTION

1. The present document is the outcome of an examination made by the Latin American and Caribbean Group (GRULAC) of UNIDO's relevance in the new international situation and of the importance of industrialization for the developing countries and countries with economies in transition. It also constitutes a contribution by the Group to the discussions on the future UNIDO that are taking place within the Organization.

II. NEW INTERNATIONAL SITUATION

2. The transformations which have occurred in the world scene as a result of globalization, liberalization of trade and rapid technological advances have brought about significant changes in international economic relations, modifying development strategies, including forms of international cooperation, while at the same time creating opportunities and also posing challenges for the developing countries.

3. For the developing countries and, in particular, the least developed countries, these changes call for greater cohesion in the formulation of cooperation policies that will make it possible, *inter alia*, to promote, improve and strengthen the industrial capability of those countries.

III. IMPORTANCE OF INDUSTRIALIZATION

4. Industrialization is still an important factor in economic and social development. No industrialized country has been able to dispense with industrialization as an important factor for its technological, financial and socio-economic transformation and as a means for improving the living standards and quality of life of its people.

5. Indeed, the Group of the Seven Most Industrialized Countries, which brings together the greatest economic powers world-wide, demonstrates that there is a direct link between being industrialized and being developed.

6. Industrialization therefore represents a valid tool for achieving the objectives of sustainable development and enjoying the benefits derived from it.

IV. RELEVANCE OF THE ROLE OF UNIDO

7. UNIDO's relevance lies both in the needs and priorities of the developing countries, particularly the least developed ones, in terms of possessing a sound and competitive industrial sector, and also in the new global patterns brought about by rapid technological change, deregulation of markets and privatization processes, which have imposed a new approach to industrial activity.

8. Within this framework, UNIDO is called upon to perform an essential task in the quest for appropriate solutions that will significantly contribute to the elaboration of suitable industrial policies and to the attainment of objectives relating to the creation of productive employment, the protection of the environment, equitable socio-economic development and the transfer of appropriate technologies, by supporting national policies aimed at strengthening each country's industrial capability.

9. UNIDO is required to play a major role as a vehicle for identifying and securing financial resources for industrial cooperation and to serve as a forum for the promotion of South-South cooperation. It is therefore essential for UNIDO to effectively contribute, through joint efforts with recipient countries, to the mobilization of extrabudgetary resources.

10. In view of the foregoing, it is necessary for an independent, multilateral and impartial organization such as UNIDO to serve its Member States as a specialized agency, as a central forum for global coordination in the area of industrial policy and as a provider of specialized technical cooperation services. To do so, it will be required to adopt a flexible and balanced approach to the needs of the different geographical regions.

V. REFORM OF UNIDO

11. In response to the challenges posed by the new international situation, we, the Member States of UNIDO, embarked on a process of reform and restructuring with the decisions adopted at the Yaoundé session of the General Conference in 1993.

12. Since then, important results have been achieved in the sphere of administration and management and also in the prioritization of tasks. In that connection, measures have been taken to reduce staffing levels and to deal with a major reduction in the budget without affecting the substantive areas.

13. Despite the political commitment made at Yaoundé and the efforts deployed, the Organization has had to face new challenges arising from the withdrawal of some of its main contributors. That has shifted the initial objectives of the reform process towards the purely budgetary sphere, preventing us from seeing their total realization in operational terms, and at the same time affecting their full implementation and continuity.

14. It is nevertheless important, at this new stage of UNIDO's redefinition, to reaffirm the political commitment and responsibility of all its Member States to pursue that process with a long-term vision that will make it possible to adapt its mandate, structure and financial capacity taking into account the Organization's experience.

15. This redefinition must not affect its independence as a specialized body within the United Nations system whose function is to serve as a central forum for the promotion of cooperation programmes in the industrial sector in an impartial, transparent and global manner.

16. It is nevertheless necessary to maintain close coordination with the measures involved in the reform of the United Nations system, in order to ensure complementarity of effort, to avoid duplication and to guarantee greater efficiency and effectiveness in the activities of the different bodies within the system.

17. It should also be borne in mind that UNIDO is an independent and intergovernmental agency and that the sole parties empowered to take decisions concerning the Organization are its Member States, through its policy-making organs.

VI. AREAS OF FUTURE ACTION

18. In order to respond to the current needs of the developing countries and countries with economies in transition, we have agreed upon the following four key functions which the Organization should perform in the discharge of its constitutional mandate:

- To serve as a global forum for coordination and action on international industrial trends;
- To strengthen institutional capacities for the promotion of competitive industry;
- To increase and accelerate the flow of technological and industrial investments and resources, and
- To promote the application of ecologically sound technologies.

19. It is essential that, when implementing these functions and its activities and programmes, UNIDO discharge its mandates with sufficient flexibility to enable it to adapt to the characteristics of each country and to ensure an appropriate balance in the cooperation provided to the different geographical regions of the developing world.

20. With a view to improving UNIDO's activities in the field, and in compliance with decision IDB.16/Dec.15, the Secretariat should submit specific proposals aimed at enhancing the Organization's efficiency and effectiveness in this sphere, for the purpose of designing a long-term strategy that will make it possible to provide recipient countries, in line with their industrial priorities and characteristics, appropriate and ongoing advisory services and also fulfil a complementary role in the execution of country projects.

VII. CONCLUSIONS

A. Industrialization continues to be an important factor in economic and social development, even more so in the new international context.

B. GRULAC reaffirms that UNIDO must remain a specialized agency within the United Nations system.

C. It also believes it essential to ensure the full implementation of the reform process with a long-term vision through the renewed commitment of all its Member States to adapt UNIDO to the requirements of industrial development.

D. To meet the new industrial needs of the developing countries and countries with economies in transition, it is necessary to strengthen the dual nature of UNIDO's role as a global forum for industrial development and as a provider of specialized technical cooperation services.

E. In this connection, and particularly in the area of programmes, GRULAC believes it is necessary to undertake action aimed at strengthening the function of the Organization's policy-making organs in order to make them more responsive and action-oriented, but without affecting management activities which are the exclusive responsibility of the Secretariat.